

October 18, 2010

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) October 13, 2010 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects for calendar year 2010 an annual average Henry Hub spot price of \$4.47 per million British Thermal Units (MMBtu). For 2011, EIA projects \$4.58 per MMBtu. Prices per MMBtu averaged \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

This winter, a 4% increase in natural gas expenditures is expected for the 52% of U.S. households that rely upon natural gas as their primary heating fuel.

Spot prices, crude oil.

The West Texas Intermediate (WTI) crude oil spot price per barrel is expected to average about \$80 this winter and \$85 in 2011. The WTI crude oil spot price per barrel averaged \$62 in 2009, \$100 in 2008, and \$72 in 2007.

Consumption. U.S. total natural gas consumption in 2010 is expected to increase over 2009 levels by 4.6% in 2010 and by .1% in 2011. Power generation and industrial consumption are driving the 2010 projected increase. U.S. total natural gas consumption fell by 1.5% in 2009.

Production. Total U.S. marketed natural gas production is expected to rise by 3.5% in 2010. Production increased by 3.7% in 2009 and by 5.9% in 2008.

Imports. EIA projects for 2011 a 1.5% increase over 2010 in gross pipeline imports. EIA projects liquefied natural gas (LNG) imports will average 1.23 Bcf/d in 2010 and 1.32 Bcf/d in 2011. U.S. LNG imports totaled 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Source: <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Data

- November Natural Gas Futures Contract (Oct 15), NYMEX at Henry Hub closed at \$3.535 per million British Thermal Units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (Oct 15), NYMEX at Cushing closed at \$81.25 per U.S. oil barrel (Bbl.) or approximately \$12.94 per MMBtu

Last week: Slightly Cooler Than Normal in Texas

For the week beginning 10/10/10 and ending 10/16/10, cooling degree days were lower than normal for Texas and higher than normal for the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 7% above normal for Texas and 21% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/16/10	* Week CDD +/-from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	5	- 2	1613	+ 20 %
Austin	24	- 26	2849	0 %
Dallas – FW	37	+ 8	3093	+ 23 %
El Paso	26	+ 9	2704	+ 21 %
Houston	61	+ 14	3166	+ 16 %
San Antonio	41	- 11	2939	+ 2 %
Texas**	38	- 1	2723	+ 7 %
U.S.**	15	+ 2	1420	+ 21 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage Close To 3.6 Tcf

For the week ending 10/1/2010, U.S. working gas in storage increased from 3,499 to 3,590 Bcf compared to 3,708 Bcf in storage a year ago and compared to an average of 3,343 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 1,082 to 1,124 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 10/8/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1963	1920	+ 43	+ 2.1 %
West	503	497	+ 6	+ 11.3 %
Producing	1124	1082	+ 42	+ 16.1 %
Lower 48 Total	3590	3499	+ 91	+ 7.4 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas Rig Count Down 5 To 966

The gas rig count for the U.S. was down 5 last week and up 245 when compared to 12 months ago. The U.S. total rig count was down 1 last week and up 630 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 10/15/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1670	- 1	1040	+ 630
Gas	966	- 5	721	+ 245
Oil	695	+ 5	309	+ 386
Texas	715	- 12	394	+ 321
N. Amer.	2093	+ 19	1290	+ 803

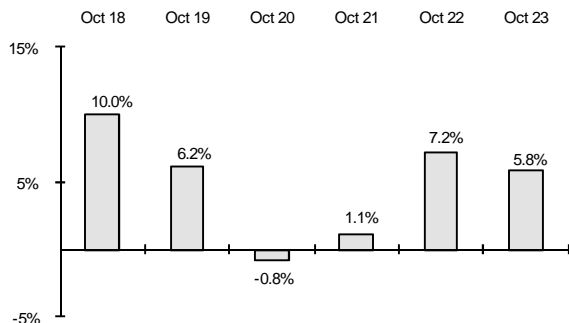
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Seesaws

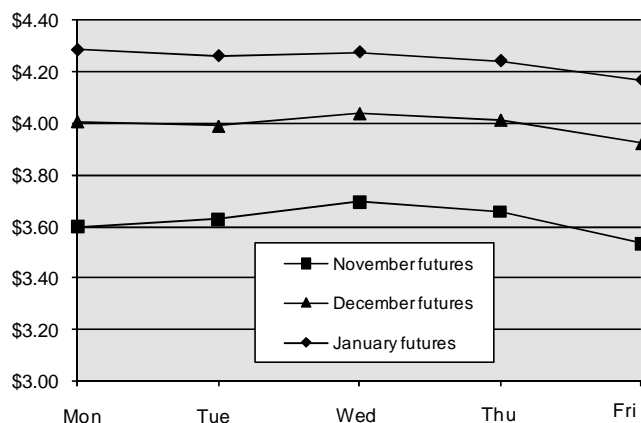
U.S. energy use is forecasted to be mostly higher than normal this week while dipping below normal on Wednesday, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

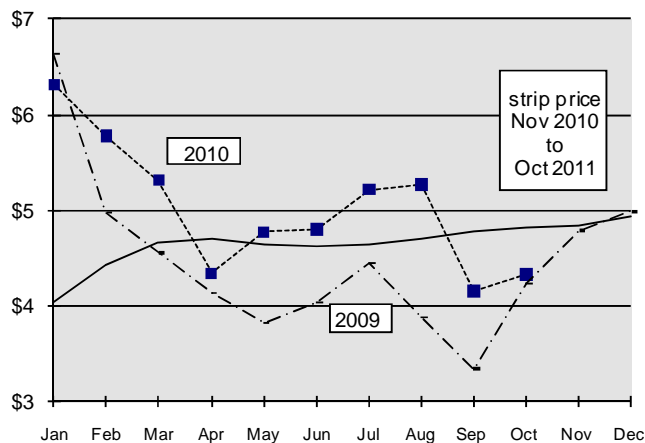
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 10/11/10 - 10/15/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 10/15/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.535	-\$0.116	-\$0.754	\$4.153